

OBJECTIVE:

To ensure that audit activities and reports comply with the U.S. Comptroller General's **Government Auditing Standards – 2003 Revision**. The numbering of this document conforms to the **National Association of Local Government Auditors 2004 Quality Control Review Guide**.

REVIEW SIGN-OFF AND REVIEW NOTES REFERENCE

REVIEWER	SIGNATURE	DATE	REVIEW NOTES REFERENCE
FIRST Audit Standards Review (performed upon completion of risk assessment to ascertain that the audit staff has complied with the applicable general and planning standards as described in the Audit Standards Plan)			
SECOND Audit Standards Review (performed upon completion of fieldwork to ascertain that the audit staff has complied with the applicable general and fieldwork standards as described in the Audit Standards Plan)			
FINAL Audit Standards Review (performed upon completion of the audit report to ascertain that the audit staff has complied with the applicable general and reporting standards as described in the Audit Standards Plan)			
In-Charge Auditor			
Supervising Auditor			
Independent Report Reviewer			
City Auditor			

GENERAL STANDARDS

INDEPENDENCE

The general standard related to independence is:

In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence. (GAS 3.03)

GENERAL STANDARDS ON INDEPENDENCE	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>1. The organization is responsible for establishing an internal control system to assure compliance with the independence standard. Required elements of an internal quality control system are (a) policies and procedures to: identify personal impairments to auditors' independence, resolve in a timely manner, report in the audit scope section if cannot be resolved or decline to audit, ascertain specialists' independence and do not use work of those who are not independent, assess and document whether performing nonaudit services affects audit subject matter, and apply and document safeguards to reduce risks associated with providing nonaudit services; (b) communicating policies and procedures; (c) monitoring compliance; (d) establishing a disciplinary mechanism; and (e) stressing the importance of independence and that auditors will always act in the public interest. (GAS 3.07-3.18)</p>	<ul style="list-style-type: none"> • Procedure No. 4-01 requires that prior to assignment, auditors, and any consultants, should complete and sign the Staff Advisement Sheet, (Form No. 4-01-1) which requires them to identify any potential impairment. It also alerts staff that they are to notify the City Auditor's Office of any impairment that may arise during the assignment. • Procedure No.5-07, Section 3 requires a statement of any impairments in the audit scope section of the audit report. • The City Auditor's Office recognizes that performing nonaudit services could create a personal impairment in fact or appearance for conducting audits. It is our policy not to provide nonaudit services, but in the event nonaudit services are requested, the City Auditor's Office recognizes the overarching principles expressed in GAS 3.13: (1) audit organizations should not provide audit services that involve performing management functions or making management decisions and (2) audit organizations should not audit their own work or provide nonaudit services in situations where nonaudit services are significant/material to the subject matter of audits. • If nonaudit services are requested, Procedure No. 4-01 requires the City Auditor's Office to document its consideration of the nonaudit services and the rationale that providing nonaudit services does not violate the two overarching principles stated in paragraph 3.13. 	<p>Staff Advisement Sheet: W/P # _____</p> <p>If applicable, describe any impairment in the audit scope section of the audit report: W/P # _____</p> <p>Staff Advisement Sheet: W/P #: _____</p> <p>Personal Impairment Flowchart: W/P # _____</p>

GENERAL STANDARDS ON INDEPENDENCE	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>2. Audit organizations should be free from external impairments to independence. External impairments may include: (a) limits placed on audit scope, (b) interference with selection or application of audit procedures or transactions, (c) time restrictions to complete the audit, (d) interference with assignment of audit personnel, (e) restriction on audit resources, (f) authority to overrule or influence auditors' judgment, (g) threat of replacement over disagreement on audit report content, and (h) influences that jeopardize auditors' continued employment. (GAS 3.19) If one or more impairment to independence, auditors should decline to perform the audit, or when they cannot decline, their impairment (s) should be reported in the scope section of the audit report. (GAS 3.20)</p>	<ul style="list-style-type: none"> If the auditor identifies any potential impairments on the Staff Advisement Sheet (Procedure No. 4-01-1) requires the Supervising Auditor to assess whether any impairment can be mitigated; and the City Auditor to approve or disapprove the assignment. Procedure No.5-07, Section 3, requires a statement of any impairments in the audit scope section of the audit report. 	<p>Staff Advisement Sheet: W/P # _____</p> <p>If applicable, describe any impairment in the audit scope section of the audit report: W/P # _____</p>
<p>3. Audit organizations should be free from organizational impairments to independence. Government audit organizations' capability to perform the work and report results impartially can be affected by their place within government and the structure of the government entity that the audit organization is assigned to audit. Organizational independence can be achieved in various ways, depending on whether the audit organization is reporting externally to third parties, or internally to management. (GAS 3.21)</p>	<ul style="list-style-type: none"> Section 805 of the City Charter establishes the Office of the City Auditor and provides for organizational independence. Specifically, organizational independence is achieved because the City Auditor is appointed by and reports directly to the City Council. 	<p>See Procedure 1-01 (City Auditor Role and Responsibilities).</p>

PROFESSIONAL JUDGMENT

The general standard related to professional judgment is:

Professional judgment should be used in planning and performing audits and attestation engagements and in reporting the results. (GAS 3.33)

GENERAL STANDARD ON PROFESSIONAL JUDGMENT	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>4. If auditors state they are performing their work in accordance with GAS, they should justify any departures from GAS. Further, auditors should (a) use professional judgment when determining what standards to apply, defining the scope of work, selecting the methodology, determining the type and amount of evidence to be gathered, selecting and executing tests, and evaluating and reporting results; (b) exercise professional skepticism throughout the assignment; (c) neither assume that management is honest nor dishonest; and (d) obtain reasonable assurance that material misstatements or significant inaccuracies in data will likely be detected if they exist. (GAS 3.34.-3.38) Professional judgment imposes a responsibility upon each auditor to observe Government Auditing Standards. Auditors should use professional judgment in determining the standards that apply to work to be conducted. When standards do not apply or cannot be followed, this fact should be documented in the scope section of the audit report, along with reasons and the known effect on audit results. Auditors should also use professional judgment in establishing the scope, methodology, tests, and procedures for the audit, and in conducting the audit and reporting the audit results. (GAS 3.33-3.38)</p>	<ul style="list-style-type: none"> The Policies and Procedures Manual includes procedures for conducting preliminary survey, risk assessment, and audit fieldwork, as well as procedures for workpapers and report writing and processing. Evidence that the professional judgment standard was met should include completed and approved APRs for the preliminary survey, risk assessment, field work, and report writing and processing. If any of these phases were not performed, a written justification for not doing so should be included in the workpapers. Procedure No. 5-01 requires audit staff to prepare an Audit Standards Plan using the City Auditor Audit Standards Plan file (Procedure No. 5-01-1) The Audit Standards Plan includes procedures to ensure that internal procedures and GAS are followed. The key components of the internal quality control program are: (1) In-Charge/Supervising Auditor Workpaper Review; (2) Supervisory review; In-Charge/Supervising Auditor Review; (3) Independent Report Review (IRR); (4) Audit Standards Review (ASR); and (5) an External Quality Control review conducted every two years. The signature page of the Audit Standards Plan documents review and approval at each quality control checkpoint. When standards are not applicable or not followed, Procedure No. 5-07, Section 3 requires that this be documented in the scope section of the audit report. 	<p>Preliminary Survey APR: W/P # _____</p> <p>Risk Assessment APR: W/P # _____</p> <p>Fieldwork APR: W/P # _____</p> <p>Report Writing/Processing APR: W/P # _____</p> <p>See page 1 of this document. In addition, a copy of the most recent External Quality Control review may be found in the central office files.</p> <p>If a standard is not applicable or followed, the scope section of the audit report should be referenced. W/P # _____</p>

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COMPETENCE

The general standard related to competence is:

The staff assigned to perform the audit or attestation engagement should collectively possess adequate professional competence for the tasks required. (GAS 3.39)

GENERAL STANDARDS ON COMPETENCE	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>5. The audit organization should have a process for recruiting, hiring, continuously developing, and evaluating staff. (GAS 3.40)</p>	<ul style="list-style-type: none"> • Job classifications contain minimum requirements for education, coursework, work experience, knowledge, and skills necessary to conduct audits. • Procedure No. 2-04 ensures that auditors satisfy GAS continuing education requirements. • Procedure No. M- 37 requires Supervising Auditors to prepare a Management Performance Evaluation Form (Form 6-09). 	<p>Job descriptions and minimum requirements are located in central office files.</p> <p>Training files are located in central office files.</p> <p>Performance evaluations are located in central office files.</p>
<p>6. Audit staff, including any outside consultants hired, should collectively have the knowledge, skills, and experience necessary to conduct an audit or attestation. Staff should also have knowledge of GAS applicable to the type of work they are assigned and of the environment in which the audited entity operates. (GAS 3.42)</p>	<ul style="list-style-type: none"> • Procedure No. 4-01 requires auditors, including any consultants, to prepare a Staff Advisement Sheet (Form No. 4-01-1) prior to being assigned to an audit. The advisement sheet requires a Supervising Auditor to assess the auditor's qualifications and the City Auditor to approve or disapprove of the assignment. • Procedure No. 2-04 ensures that auditors satisfy GAS continuing education requirements. 	<p>Staff Advisement Sheet: W/P # _____</p> <p>Training files are located in central office files.</p>

GENERAL STANDARDS ON COMPETENCE (continued)	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>7. Auditors performing financial audits or attestation engagements should be knowledgeable in all relevant standards, e.g., generally accepted accounting principles (GAAP), Statements on Auditing Standards (SAS), AICPA Statement on Standards for Attestation Engagements (SSAE). (GAS 3.43)</p>	<ul style="list-style-type: none"> • Procedure No. 4-01 requires auditors, including any consultants, to prepare a Staff Advisement Sheet (Form No. 4-01-1) prior to being assigned to an audit. The advisement sheet requires a Supervising Auditor to assess the auditor's qualifications and the City Auditor to approve or disapprove of the assignment. If financial audits or attestation engagements are performed, auditors assigned shall include on the Staff Advisement Sheet a statement of their knowledge of generally accepted accounting principles (GAAP), Statements on Auditing Standards (SAS), and AICPA Statement on Standards for Attestation Engagements (SSAE). • Procedure No. 2-04 ensures that auditors satisfy GAS continuing education requirements. 	<p>Staff Advisement Sheet: W/P # _____</p> <p>Training files are located in central office files.</p>
<p>8. The audit organization is responsible for ensuring that auditors maintain their professional competence through continuing professional education (CPE). Auditors should complete 80 hours of education every two years – at least 20 hours in any one year and 24 hours directly related to government auditing, the government environment, or the specific environment in which the audited entity operates. (GAS 3.45-3.47)</p>	<ul style="list-style-type: none"> • Procedure No. 2-04 ensures that auditors satisfy GAS continuing education requirements. 	<p>Training files are located in central office files.</p>

QUALITY CONTROL AND ASSURANCE

The general standard related to quality control and assurance is:

Each audit organization performing audits and/or attestation engagements in accordance with GAGAS should have an appropriate internal quality control system in place and should undergo an external peer review. (GAS 3.49)

<u>GENERAL STANDARDS ON QUALITY CONTROL AND ASSURANCE</u>	<u>OFFICE OF THE CITY AUDITOR'S CONTROLS</u>	<u>WORKPAPER REFERENCE</u>
<p>9. The audit organization is responsible for establishing an internal quality control system to provide reasonable assurance that it is complying with standards governing audits and attestation engagements. The control system encompasses the audit organization's structure, policy, and procedures. The system should include procedures for the organization to monitor whether the system is suitably designed and is being applied effectively. While the nature and extent of audit organizations' internal quality control systems may vary, each organization is responsible for documenting that it has complied with its system and for retaining documentation long enough to enable monitoring and peer review. (GAS 3.50,3.51)</p>	<ul style="list-style-type: none"> Procedure No. 5-01 includes procedures to ensure that internal procedures and GAS are followed. The key components of the internal quality control program are: (1) In-Charge/Supervising Auditor Workpaper Review; (2) Supervising Auditor Review; (3) Independent Report Review; (4) Audit Standards Review; and (5) an External Quality Control review conducted every two years. The signature page of the Audit Standards Plan documents review and approval at each quality control checkpoint. 	<p>See page 1 of this document.</p> <p>In-Charge sign-off on workpapers and review notes: W/P # _____</p> <p>Supervising Auditor sign-off on workpapers and review notes: W/P # _____</p> <p>Independent Report Review notes and a copy of the referenced audit report: W/P # _____</p> <p>Audit Standards Review sign-off and review notes: W/P # _____</p>
<p>10. The audit organization should have an external peer review at least once every three years by reviewers independent of the audit organization being reviewed. The audit organization should transmit its external peer review report to the appropriate oversight body and consider making it available to the public on request. (GAS 3.52)</p>	<ul style="list-style-type: none"> The City Charter, Section 805.2 requires the City Council to contract with an independent audit firm, with no other contracts with the City, to conduct a performance audit of the City Auditor's Office at least every two years. 	<p>A copy of the most recent External Quality Control review may be found in the central office files.</p>

NOTE: Items 11-24 on the NALGA Peer Review Guide refer to Financial or Financial-related Audits. The items do not apply to Performance Audits.

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS

PLANNING

The field work standard related to planning for performance audits performed in accordance with GAGAS is:

Work is to be adequately planned. (GAS 7.02)

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: <u>PLANNING</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>25. Work is to be adequately planned. In planning, auditors should define the audit's scope and objectives, and design the methodology to provide sufficient, competent, and relevant evidence. Planning should be documented. Auditors should: (a) consider significance of various programs and needs of potential users of the audit report; (b) obtain an understanding of the program to be audited; (c) identify criteria; and (d) identify potential sources of data. (GAS 7.03-7.10)</p>	<ul style="list-style-type: none"> Procedure No. 5-04 describes the City Auditor's process for conducting a preliminary survey. The purpose of the preliminary survey is to: define the audit assignment; gather historical, organizational, and financial information to facilitate future work; and to identify laws, regulations, and authoritative standards that may be tested for compliance. At the completion of the preliminary survey, the audit team prepares a memorandum that summarizes the information obtained during the preliminary survey. A meeting is then held with the City Auditor, Supervising Auditor, and the audit team to set the scope of the audit. 	<p>Preliminary Survey APR: W/P # _____</p>
<p>26. Auditors should obtain an understanding of internal control significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation. Auditors also need to consider whether they plan to modify the nature, timing, or extent of audit procedures based on the effectiveness of internal control and consider the results in designing audit procedures. (GAS 7.11-7.16)</p>	<ul style="list-style-type: none"> Procedure No. 5-05 describes the City Auditor's risk assessment process. The purpose of this process is to: identify significant threats, identify controls; and assess controls. The Risk Assessment APR shall include the following audit step: "Assess the risk that abuse and illegal acts could materially impact the auditee's compliance with laws, rules, or regulations or have a material effect on the auditee's operations". At the end of the risk assessment, the audit team develops the audit program to test whether the controls are working properly. 	<p>Risk Assessment APR: W/P # _____</p>

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>27. Auditors should determine which laws, regulations, and provisions of contracts or grant agreements are significant to the audit objectives and assess the risk that illegal acts or violations could occur. In planning the audit, auditors should also consider risks due to fraud that could significantly affect their audit objectives and the results of their audit. Based on their risk assessment, auditors should design and perform procedures to provide reasonable assurance of detecting significant instances of illegal acts, violations, and fraud. Auditors should include audit documentation on their assessment of risk. (GAS 7.17-7.24)</p>	<ul style="list-style-type: none"> • Procedure No. 5-05, Section 1 requires the auditors to perform a risk assessment. The risk assessment process includes: identifying significant threats facing the program being audited; identifying the controls or procedures in place to prevent the threats from occurring; assessing the likelihood that the controls would prevent the threats from occurring; and developing an audit program to test whether the controls are working properly. 	<p>Risk Assessment APR: W/P # _____</p>
<p>28. Auditors should be alert to situations or transactions that could be indicative of abuse. If indications of abuse exist that significantly affect the audit results, the auditors should extend the audit steps and procedures, as necessary, to (1) determine whether the abuse occurred and, if so, (2) determine its effect on the audit results. However, because the determination of abuse is subjective, auditors are not expected to provide reasonable assurance of detecting it. (GAS 7.25)</p>	<ul style="list-style-type: none"> • Procedure No. 5-06 states that auditors should be alert to situations that could be indicative of abuse or illegal acts. Based on risk assessment, the auditor shall design steps and procedures to provide reasonable assurance of detecting abuse or illegal acts and include them on the Fieldwork APR. • Procedure No. 5-09 states that when information comes to the auditor's attention that abuse or illegal acts may have occurred, the auditor should promptly notify the City Auditor and the Supervising Auditor. In consultation with the City Auditor and Supervising Auditor, the auditor should extend steps and procedures, as necessary to determine: whether the acts occurred, and if so, the extent to which these acts significantly affect the audit results. The City Auditor will determine whether a referral should be made to the Police Department and/or the City Attorney. 	<p>Field Work APR: W/P # _____</p> <p>Memos to the City Auditor, auditee management, City Attorney, and Police Department, if applicable: W/P # _____</p>

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>29. Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations, or abuse in order not to interfere with potential investigations, legal proceedings, or both. (GAS 7.26)</p>	<ul style="list-style-type: none"> • Procedure No. 5-04 requires auditors during the preliminary survey to determine if laws, regulations, and other compliance requirements are significant to the audit objectives. • Procedure No. 5-05 requires the auditors to include in the Risk Assessment an assessment of the risk that illegal acts could occur and consideration of whether the auditee has controls that are effective in preventing or detecting illegal acts. • Procedure No 5-03-06A requires the auditors to include audit steps in the Audit Program that provide reasonable assurance about compliance with laws and regulations that are significant to audit objectives. • Procedure No. 5-09 states that when information comes to the auditor's attention that abuse or illegal acts may have occurred, the auditor should promptly notify the City Auditor and the Supervising Auditor. In consultation with the City Auditor and Supervising Auditor, the auditor should extend steps and procedures, as necessary to determine: whether the acts occurred, and if so, the extent to which these acts significantly affect the audit results. The City Auditor will determine whether a referral should be made to the Police Department and/or the City Attorney. 	<p>Preliminary Survey APR: W/P # _____</p> <p>Risk Assessment APR: W/P # _____</p> <p>Field Work APR (if applicable): W/P # _____</p> <p>Compliance Checksheet (if applicable): W/P # _____</p>
<p>30. Auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations that directly relate to the objectives of the audit being undertaken. Auditors should request officials to identify previous work related to the objective of the audit being undertaken and to identify corrective action taken to address significant findings and</p>	<ul style="list-style-type: none"> • To ensure that the work of other auditors is considered, Procedure No. 5-04 requires the auditors to obtain and review any work of other auditors or nonauditors during preliminary survey. • To ensure that audit recommendations from prior audits are implemented in a timely manner, the City Auditor's Office assesses the status of recommendations that have 	<p>Preliminary Survey APR: W/P # _____</p> <p>Copies of semiannual recommendation follow-up reports are kept in central office files.</p>

recommendations. Auditors should use professional judgment in determining (1) prior periods to be considered, (2) the level of follow up work necessary, and (3) the effect on the current risk assessment and procedures. (GAS 7.29-7.30)	not been implemented on a semiannual basis. A written report summarizing the status of these recommendations is then issued to the City Council. The recommendation follow up process is described in detail in Procedure No. 4-05.	
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FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>31. Auditors should determine whether other auditors have previously done, or are doing, audits of the program or the entity that operates it. If auditors intend to rely on the work of other auditors, they should perform procedures that provide a sufficient basis for that reliance. Auditors face similar considerations when using the work of nonauditors, such as specialists. When using the work of nonauditors, auditors should obtain an understanding of the methods and significant assumptions used by the nonauditors. (GAS 7.32-7.34)</p>	<ul style="list-style-type: none"> To ensure that the work of other auditors and nonauditors is considered, Procedure No. 5-04 requires the auditors to obtain and review any work of other auditors or nonauditors during preliminary survey. 	<p>Preliminary Survey APR: W/P # _____</p>
<p>32. Staff planning should include: (a) assigning staff with the appropriate collective knowledge, skills and experience for the job; (b) assigning an adequate number of staff and supervisors to the audit; (c) providing for on-the-job training of staff; and (d) engaging specialists when necessary. (GAS 3.75)</p>	<ul style="list-style-type: none"> Procedure No. 4.01 is the process followed for assigning staff to audits. As cited in this procedure, staff is assigned to audits based on availability, complexity of assignments, skills, and opportunity for professional growth. The procedure requires the Supervising Auditors to assign staff based on the above factors and the City Auditor approves or disapproves all assignments. The Staff Assignment Sheet (Form No. 4-01A) documents the staff assignment process. 	<p>Staff Advisement Sheet: W/P # _____</p> <p>Staff Assignment Sheet: W/P # _____</p>

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>33. Auditors should communicate information about the specific nature of the performance audit, as well as general information concerning the planning and conduct of the audit and reporting to various parties involved in the audit, to help them understand the objectives, time frames and any data needs. Auditors should use their professional judgment to determine the form, content and frequency of the communication, although written documentation is preferred. If an audit is terminated before it is completed but the auditors do not issue an audit report, auditors should follow the requirements in paragraph 7.40. (GAS 7.39,7.40)</p>	<ul style="list-style-type: none"> • Procedure No. 5-03 requires that the City Auditor's Office inform auditee management when initiating an audit. Form No. 5-04B, is used to prepare a Job Start Letter. • An Entrance Conference, Procedure No. 5-03, is scheduled to ensure discussion of audit scope, objectives, and audit fieldwork arrangements with auditee management. • Procedure No. 5-03 requires the auditee be informed of the audit scope and objectives. Audit staff prepares a Memorandum of Audit Scope and Objectives, using Example No. 5-04D, to explain the scope and objectives of the audit. • When an audit is terminated prior to completion, Procedure No. 5-07 requires the in-charge auditor to send a memorandum to the auditee explaining why the audit was terminated. 	<p>Job Start Letter: W/P # _____</p> <p>Entrance Conference W/P # _____</p> <p>Memorandum of Audit Scope and Objectives: W/P # _____</p> <p>Memorandum explaining why the audit was terminated, if applicable: W/P # _____</p>
<p>34. A written audit plan should be prepared for each audit. The form and content of the written audit plan should include an audit program or project plan, other appropriate documentation of key decisions about the audit objectives, scope, and methodology and of the auditors' basis for those decisions. It should be updated, as necessary, to reflect any significant changes to the plan made during the audit. (GAS 7.41-7.43)</p>	<ul style="list-style-type: none"> • Procedure No. 4-03 requires the audit team to prepare an audit program for each phase of the audit: audit administration; preliminary survey; risk assessment; fieldwork; and report writing. The procedure also requires the audit program to include the audit objectives and the audit steps to complete to satisfy the audit objective. In addition, this procedure includes reporting progress in accomplishing the audit objectives, and requires management approval for adding or deleting audit objectives and audit steps. 	<p>Audit Administration APR: W/P # _____</p> <p>Preliminary Survey APR: W/P # _____</p> <p>Risk Assessment APR: W/P # _____</p> <p>Fieldwork APR: W/P # _____</p> <p>Report Writing/Processing APR: W/P # _____</p>

SUPERVISION

The field work standard related to supervision for performance audits performed in accordance with GAGAS is:

Staff are to be properly supervised. (GAS 7.44)

FIELD WORK STANDARD FOR PERFORMANCE AUDITS: <u>SUPERVISION</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>35. Supervision involves directing the efforts of staff assigned to the audit to ensure that the audit objectives are being accomplished. Elements of supervision include providing sufficient guidance to staff members, staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training. The nature and extent of the review of audit work may vary depending on a number of factors. Reviews of audit work should be documented. (GAS 7.45-7.47)</p>	<ul style="list-style-type: none"> • Procedure No. 4-03 requires auditors to update the result section of the audit program. The updates include summaries of work performed on each audit objective. These updates are sent to the Supervising Auditor and the City Auditor. • Procedure No. 4-04 requires auditors to update the audit budget. The updates include a comparison of the time actually spent on audit objectives versus the amount of time planned to complete each audit objective. The updated audit budget is sent to the Supervising Auditor and the City Auditor. • Biweekly meetings are held with the City Auditor, Supervising Auditor, and audit team. The following issues are discussed at these meetings: progress in completing the audit objectives, changes to the audit objectives, potential audit issues, audit schedule, and any problems incurred. • Procedure No. 5-03 requires the In-Charge Auditor and the Supervising Auditor to review working papers to ensure that work is progressing and in accordance with procedures. 	<p>APRs for the various phases of the audit – see item 34 above.</p> <p>Audit Budget and periodic updates: W/P # _____</p> <p>Biweekly meeting schedules and notes: W/P # _____</p> <p>In-Charge and Supervising Auditor Review notes and sign-off: W/P # _____</p>

EVIDENCE

The field work standard related to evidence for performance audits performed in accordance with GAGAS is:

Sufficient, competent, and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions. (GAS 7.48)

FIELD WORK STANDARD FOR PERFORMANCE AUDITS: <u>EVIDENCE</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>36. The auditors' approach to determining the sufficiency, competency, and relevancy of evidence depends on the source of information that constitutes the evidence. (GAS 7.49-7.61) Information sources include original data gathered by auditors and existing data gathered either by officials of the audited entity or a third party. Data from any of these sources may be obtained from computer-based systems. (GAS 7.55, 7.59-7.61)</p>	<ul style="list-style-type: none"> • Procedure No. 5-02 establishes a standardized method for preparing and indexing workpapers. The objectives of the workpaper organization are to: (1) provide a clear audit trail so that any reviewer can easily verify what was done, why it was done and the conclusions that resulted; (2) organize workpapers according to audit issues; (3) cross-reference workpapers to the audit program; and (4) provide evidence to support any findings. • Procedure 5-01 requires the following internal reviews to ensure that the evidence standard is met. These internal reviews include: (1) Supervisory review of workpapers to ensure that the workpapers conform to Procedure No. 5-02; (2) Independent Report Review to ensure that the workpapers support all statements in the report; and (3) Government Audit Standards Review to ensure that procedures were followed. • Procedure No. 5-04A requires auditors to assess, during the preliminary survey, whether computer-processed data is an important or integral part of the program or activity being audited. • Procedure Nos. 5-05 and 5-08 require auditors, if computer-processed data is an important or integral part of the program or activity being audited, to perform a risk assessment on the reliability and validity of computer-processed data. This procedure requires the auditors to use the guidelines for assessing threats to the accuracy and reliability of computer-processed data and for determining 	<p>In-Charge Auditor Workpaper Review Notes: W/P # _____</p> <p>Supervising Auditor Workpaper Review Notes: W/P # _____</p> <p>Independent Report Review: W/P # _____</p> <p>Audit Standards Review – see first page of this document.</p> <p>Preliminary Survey APR: W/P # _____</p> <p>Risk Assessment APR: W/P # _____</p>

	<p>the extensiveness of data testing based on planned use of that data.</p> <ul style="list-style-type: none">• Procedure No. 5-06 requires auditors, if it is determined that computer-processed data is important or integral to the audit and the data is crucial to accomplishing the audit objectives, to ascertain that the data is relevant and reliable. To determine the reliability of data, the auditors may either conduct a review of the general and application controls or conduct other tests as necessary.	<p>Audit Field Work APR: W/P # _____</p>
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AUDIT DOCUMENTATION

The field work standard related to audit documentation for performance audits performed in accordance with GAGAS is: **Auditors should prepare and maintain audit documentation. Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor, who has had no previous connection with the audit, to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their report. (GAS 7.66)**

FIELD WORK STANDARD FOR PERFORMANCE AUDITS: <u>AUDIT DOCUMENTATION</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>37. The quantity, type, and content of audit documentation is a matter of the auditor's professional judgment. (GAS 7.66) Audit documentation for performance audits should contain the following items not explicitly addressed elsewhere in GAGAS: (a) objectives, scope, and methodology of the audit, including sampling criteria; (b) auditors' determination that certain standards do not apply or that an applicable standard was not followed; (c) work performed to support significant judgments and conclusions; and (d) evidence of supervisory reviews, before the audit is issued, of audit work supporting findings, conclusions, and recommendations in the audit report. (GAS 7.68)</p>	<ul style="list-style-type: none"> • Procedure No. 5-02 establishes a standardized method for preparing and indexing workpapers. The objectives of the workpaper organization are to: (1) provide a clear audit trail so that any reviewer can easily verify what was done, why it was done and the conclusions that resulted; (2) organize workpapers according to audit issues; (3) cross-reference workpapers to the audit program; and (4) provide evidence to support any findings. • Procedure No. 5-01 requires the following internal reviews to ensure that the documentation standard is met. These internal reviews include: (1) Supervisory review of workpapers to ensure that the workpapers conform to Procedure No. 5-02; (2) Independent Report Review to ensure that the workpapers support all statements in the report; and (3) Government Audit Standards Review to ensure that procedures were followed. • When standards are not applicable or not followed, Procedure No. 5-07 requires that this be documented in the scope section of the audit report. 	<p>In-Charge Auditor Workpaper Review Notes: W/P # _____</p> <p>Supervising Auditor Workpaper Review Notes: W/P # _____</p> <p>Independent Report Review: W/P # _____</p> <p>Audit Standards Review – see first page of this document.</p> <p>If a standard is not applicable or followed, the scope section of the audit report should be referenced. W/P # _____</p>

**REPORTING STANDARDS FOR
PERFORMANCE AUDITS**

FORM

The reporting standard related to the form of the report for performance audits performed in accordance with GAGAS is:
Auditors should prepare audit reports communicating the results of each audit. (GAS 8.02)

REPORTING STANDARDS FOR PERFORMANCE AUDITS: FORM	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
38. The form of the audit report should be appropriate for its intended use, but should be written or in some other retrievable form. Auditors should use their professional judgment including consideration of users' needs, likely demand, and distribution in determining the form of the audit report. In addition to a more formal presentation of audit results, such as a chapter or a letter report, briefing slides may be considered audit reports. Audit reports also may be presented on electronic media, such as video or compact disc formats. Regardless of form, audit reports should comply with all applicable reporting standards. (GAS 8.03-8.06)	<ul style="list-style-type: none">Procedure No. 5-07 describes the process for issuing written audit reports in accordance with GAS.	Referenced final copy of the report: W/P # _____ Report Writing APR: W/P # _____

REPORT CONTENTS

The reporting standard related to the contents of the report for performance audits conducted in accordance with GAGAS is: **The audit report should include the objectives, scope, and methodology; the audit results, including findings, conclusions, and recommendations, as appropriate; a reference to compliance with generally accepted government auditing standards; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted.** (GAS 8.07)

REPORTING STANDARDS FOR PERFORMANCE AUDITS: <u>REPORT CONTENTS</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
39. The audit report should include the objectives, scope, and methodology. (GAS 8.08-8.12)	<ul style="list-style-type: none"> Procedure No. 5-07, Section 3 requires a statement of the audit objectives and the audit scope and methodology. 	Referenced copy of the scope and methodology section of the final report: W/P # _____
40. The audit report should include the audit results, including findings, conclusions, and recommendations, as appropriate. (GAS 8.07, 8.13-8.16, 8.27-8.29) Auditors should report significant audit findings, and where applicable, auditors' conclusions. Auditors should report recommendations for actions to correct the problems and to improve operations. Auditors should also report the status of uncorrected significant findings and recommendations from prior audits that affect the objectives of the current audit.	<ul style="list-style-type: none"> Procedure No. 5-07, Section 3 requires audit findings to include criteria, condition, cause, effect, and recommendations. On a semiannual basis, the City Auditor's Office reviews the status of recommendations that have not been implemented. A written report summarizing the status of the recommendations is issued to the City Council. 	Referenced copy of the final audit report: W/P # _____ Copies of the Auditor's Semiannual Recommendation Follow-up reports are located in the central office files.
41. Auditors should include in the audit report the scope of their work on internal control and significant deficiencies found in the audit. (GAS 8.17, 8.18)	<ul style="list-style-type: none"> Procedure No. 5-07, Section 3, requires reporting of the internal controls assessed and any significant internal weaknesses found during the audit. The Audit Standards Review, Procedure No. 5-01, requires a review of the audit report to ensure that the scope of internal controls assessed and any significant internal control weaknesses are reported. 	Finding Development Sheets: W/P # _____ Scope and Methodology section of the final report: W/P # _____ Final Audit Standards Review – see first page of this document.

REPORTING STANDARDS FOR PERFORMANCE AUDITS: <u>REPORT CONTENTS</u> , continued	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>42. When auditors conclude, based on evidence obtained, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should include in their audit report relevant information. In certain circumstances, auditors should report fraud, illegal acts, and abuse directly to parties outside the audited entity. (GAS 8.19-8.26)</p>	<ul style="list-style-type: none"> • Procedure No. 5-09 requires reporting of all significant instances of noncompliance, subject to consultation with the City Attorney and the Police Department. Procedure No. 5-09 also requires reporting of nonsignificant instances of noncompliance in a management letter to the auditee. • The Final Audit Standards Review, described in Procedure No. 5-01, requires a review of the audit report to ensure that of all significant instances of noncompliance are reported. 	<p>Memoranda and audit report sections pertaining to findings of noncompliance and abuse. W/P # _____</p> <p>Final Audit Standards Review – see page 1 of this document.</p>
<p>43. If the auditors have communicated internal control deficiencies, fraud, violations, or abuse in a separate letter to officials of the audited entity, they should refer to that letter in the audit report. Auditors should include in their audit documentation evidence of all communications to officials of the audited entity about such deficiencies or instances found during the audit. (GAS 8.17-8.21)</p>	<ul style="list-style-type: none"> • Procedure 5-09 requires reporting nonsignificant instances of noncompliance in a management letter to the auditee. • 	<p>Audit Report Writing APR. W/P # _____</p>

REPORTING STANDARDS FOR PERFORMANCE AUDITS: <u>REPORT CONTENTS</u> , continued	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
44. The audit report should include a reference to compliance with government auditing standards. Auditors should disclose which applicable standards are not followed, why, and how it affected or could have affected the results of the audit/engagement. (GAS 8.07, 8.30)	<ul style="list-style-type: none"> • Procedure No. 5-07, Section 3 requires a statement that the audit was conducted in accordance with generally accepted government auditing standards. • Procedure No. 5-07 requires that the scope section include a statement that a standard was not followed. 	<p>Referenced copy of the Introduction of the final report: W/P # _____</p> <p>If a standard was not followed, reference the statement in the scope section in the final draft report: W/P # _____</p>
45. The audit report should include the views of responsible officials of the audited program concerning the auditors' findings, conclusions, and recommendations, as well as planned corrective actions. Auditors should state their reasons for disagreeing with comments or planned corrective actions of the audited entity. (GAS 8.07, 8.31-8.34)	<ul style="list-style-type: none"> • Procedure No. 5-07, Section 9, requires reporting of the views of the responsible officials of the audited program concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned. • The Final Audit Standards Review, Procedure No. 5-01, requires a review of the audit report to ensure that the views of responsible officials are reported. 	<p>Auditee response was included in the final report: W/P # _____</p> <p>Final Audit Standards Review – see first page of this document.</p>
46. If certain information is prohibited from general disclosure, auditors should report the nature of the information omitted and the requirement that makes the omission necessary. (GAS 8.07, 8.35-8.37)	<ul style="list-style-type: none"> • Procedure No. 5-07, Section 3, requires a statement of omission for any privileged or confidential information. • The Final Audit Standards Review, Procedure No. 5-01, requires a review of the audit report to ensure that any omissions are properly reported. 	<p>Audit report section discussing any omission of privileged or confidential information, if applicable: W/P # _____</p> <p>Final Audit Standards Review – see page 1 of this document.</p>

REPORT QUALITY ELEMENTS

The reporting standard related to report quality for performance audits performed in accordance with GAGAS is:

The report should be timely, complete, accurate, objective, convincing, clear, and as concise as the subject permits. (GAS 8.38)

REPORTING STANDARDS FOR PERFORMANCE AUDITS: <u>REPORT QUALITY ELEMENTS</u>	OFFICE OF THE CITY AUDITOR'S CONTROLS	WORKPAPER REFERENCE
<p>47. The report should be timely. To be of maximum use, the audit report needs to provide relevant information in time to respond to officials of the audited entity, legislative officials, and other users' legitimate needs. During the audit, auditors should consider interim reporting of significant matters to appropriate officials. (GAS 8.38-8.40)</p>	<p>To ensure that audit reports are available for timely use by management, legislative officials, and other interested parties, the City Auditor's Office has project management controls and procedures to inform the City Council on the status of audits. These controls include:</p> <ul style="list-style-type: none"> • Procedure No. 4-03 requires auditors to update the results section of the audit program every two weeks. • Procedure No. 4-04 requires auditors to update the audit budget every two weeks. • Biweekly meetings are held with the City Auditor, Supervising Auditor, and audit team to discuss the progress in completing the audit objectives, changes to the audit objectives, potential audit issues, audit schedule, and any problems incurred. • Prior to the new fiscal year, the City Auditor's Office prepares an Annual Workplan based on recommendations from the Public Safety, Finance and Strategic Support Committee. The Workplan identifies the audits that the City Auditor's Office proposes to work on during the year. • During the year, the Office reports monthly to Public Safety, Finance and Strategic Support Committee on the status of audit assignments. These reports identify the planned issuance dates for audits in progress. 	<p>APRs for all phases of the audit. W/P # _____</p> <p>Audit budget: W/P # _____</p> <p>Summaries of biweekly meetings: W/P # _____</p> <p>Copies of the Auditor's Annual Workplan are located in central office files.</p> <p>Copies of the Auditor's Monthly reports are located in the central office files.</p>
<p>48. The report should be complete, accurate, objective, convincing, clear, and as concise as the subject permits. (GAS 8.38, 8.41-8.53)</p>	<ul style="list-style-type: none"> • Procedure No. 5-01, Section IV2 requires both an independent report review to ensure that the report is complete, accurate, objective, 	<p>Independent Report Review notes: W/P # _____</p>

	<p>convincing, and as clear and concise as the subject permits.</p> <ul style="list-style-type: none"> • Procedure No. 5-07 addresses aspects of the report process including: preparation of finding worksheets to develop a report outline, the pre-draft conference, standardized report formats and statements, drafting reports, various edits, report draft conferences with auditees, legal reviews, independent report reviews, report distribution, and the audit standards review (For details on this procedure, see Form No. 5-07A) • Example 5.04C shows how auditors can to request information on the auditees' noteworthy accomplishments during the preliminary survey phase of the audit. • Procedure No. 5-07, Form 5-07A, requires reporting of the auditees' noteworthy accomplishments. • Procedure No. 5-01, Final Audit Standards Review, requires a review of the audit report to ensure that the auditee's noteworthy accomplishments are reported. 	<p>.</p> <p>Audit Report Writing APR. W/P # _____</p> <p>Request for information on the auditees' noteworthy accomplishments: W/P # _____</p> <p>Program accomplishments memo and audit report sections pertaining to the auditees' noteworthy accomplishments: W/P # _____</p> <p>Final Audit Standards Review – see page 1 of this document.</p>
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REPORT ISSUANCE AND DISTRIBUTION

The reporting standard related to report issuance and distribution for performance audits performed in accordance with GAGAS is:

Government auditors should submit audit reports to the appropriate officials of the audited entity and to the appropriate officials of the organizations requiring or arranging for the audits. (GAS 8.54)

<u>REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORT ISSUANCE AND DISTRIBUTION</u>	<u>OFFICE OF THE CITY AUDITOR'S CONTROLS</u>	<u>WORKPAPER REFERENCE</u>
<p>49. Government auditors should submit audit reports to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, such as legislative bodies, unless legal restrictions prevent it. Auditors should also send copies of the reports to other officials who have oversight authority or who may be responsible for acting on audit findings and recommendations, and also to others authorized to receive such reports. Unless the report is restricted by law or regulation, or contains privileged or confidential information, auditors should clarify that copies are made available for public inspection. Nongovernment auditors should clarify report distribution with the party contracting for the audit and follow the agreements reached. (GAS 8.54) Internal auditors (as defined in GAS 3.27) should follow their entity's own arrangements and statutory requirements for distribution. (GAS 8.54-8.5)</p>	<ul style="list-style-type: none"> • Procedure No. 5-07 addresses the distribution of audit reports. This procedure requires that audit reports are first distributed to the City Council, then to the City Administration, and finally to the public. In general, the initial reports are distributed on the same day, with others distributed on a request basis. • The Executive Assistant to the City Auditor is responsible for the audit report mailing list. Upon request, members of the public receive a copy of the audit report or the executive summary. • The audit report is available on the Internet. 	<p>Report distribution list in the cover letter to the Audit Report: W/P # _____</p> <p>No reference required.</p> <p>See http://www.ci.san-jose.ca.us/auditor/www.html</p>